
Recommendations to the Citizens Revenue Review & Economic Competitiveness Commission

*Helping Healthcare Providers remain Competitive
and better serve the San Diego Community*

July 29, 2010

Healthcare Interests Representing:

Council of Community Clinics

Hospital Association of San Diego & Imperial Counties

Kaiser Permanente

Rady Children's Hospital – San Diego

San Diego County Medical Society

Scripps Health

Sharp HealthCare

UC San Diego Health System

Overview

- Overview of San Diego Healthcare Industry
- Strategies and Needs
- Requests of the Commission

Physicians in the Region

■ Physician Population

- 7000+ active practicing Physicians in SD
- 1200 Resident Physicians (post Medical School, 3-7 years)
- 500 @ UCSD Medical School

■ Distribution of active Physicians

- 1/3 each small/solo, medium sized groups, and large groups
- Solo/small groups challenged, medium and large groups doing well
- 1/4 women, 3/4 men
- 1/3 primary care, 2/3 specialists

■ Asymmetric distribution by

- Geography
- Mode of practice
- Primary versus specialty

■ At least 1500 small businesses & 300 medium sized businesses

Hospitals in the Region

National

- ❑ In 2008 healthcare spending represented 16.2% of Gross Regional Product (GDP) GDP, or \$2.3 trillion, in the U.S. Spending is forecasted to increase
- ❑ Hospitals' total economic impact was \$718 billion

San Diego Region

- ❑ Currently, there are 33 hospitals
- ❑ Scripps Health, Sharp HealthCare, and Kaiser Permanente represent 3 of the 4 top non-governmental employers in the Region employing 40,000 employees and 7,300 medical staff and physicians approximately
- ❑ There are over 7,000 licensed beds, 18 Emergency Rooms, and 6 Trauma Centers. Total operating expenses topping \$5 billion

Hospitals located within San Diego County

*hospitals with Emergency Rooms

General Acute Care Hospitals

- * Alvarado Hospital
- * Fallbrook Hospital
- * Kaiser Permanente San Diego
- * Kindred Hospital San Diego
- * Palomar Medical Center
- * Paradise Valley Hospital
- * Pomerado Hospital
- Promise Hospital of San Diego
- * Rady Children's Hospital - San Diego
- Scripps Green Hospital
- * Scripps Memorial Hospital - Encinitas
- * Scripps Memorial Hospital - La Jolla
- * Scripps Mercy Hospital
- * Scripps Mercy Hospital - Chula Vista
- *

- * Sharp Chula Vista Medical Center
- * Sharp Coronado Hospital and Healthcare Center
- * Sharp Grossmont Hospital
- Sharp Mary Birch Hospital for Women & Newborns
- Sharp Memorial Hospital
- * Tri-City Medical Center
- * UC San Diego Medical Center
- * UC San Diego Thornton Hospital
- VA San Diego Healthcare System
- Vibra Hospital of San Diego

Naval Hospitals – General Acute Care

- Naval Hospital Camp Pendleton
- * Naval Medical Center San Diego

Hospitals located within San Diego County

*hospitals with Emergency Rooms (Cont'd)

Acute Psychiatric Hospitals

Alvarado Parkway Institute/Behavioral Health System

Aurora Behavioral Healthcare/San Diego

San Diego County Psychiatric Hospital

Sharp Mesa Vista Hospital

Chemical Dependency Hospital

Sharp Vista Pacifica Hospital

Skilled Nursing Facility

Edgemoor Hospital

Specialty Hospital

San Diego Hospice and The Institute for Palliative Medicine

Hospitals in the Region

As mandated by state law, non-profit hospitals must demonstrate community benefit

- ❑ Kaiser Permanente San Diego, Scripps Health, Sharp HealthCare, and Rady Children's Hospital – San Diego) provided \$783,610,197 in community benefits in 2009
- ❑ In 2008, treated 759,085 people in their emergency departments
- ❑ Provided care for 3 million outpatients
- ❑ Performed 189,927 surgical operations
- ❑ Performed 43,872 baby deliveries

Clinics in the Region

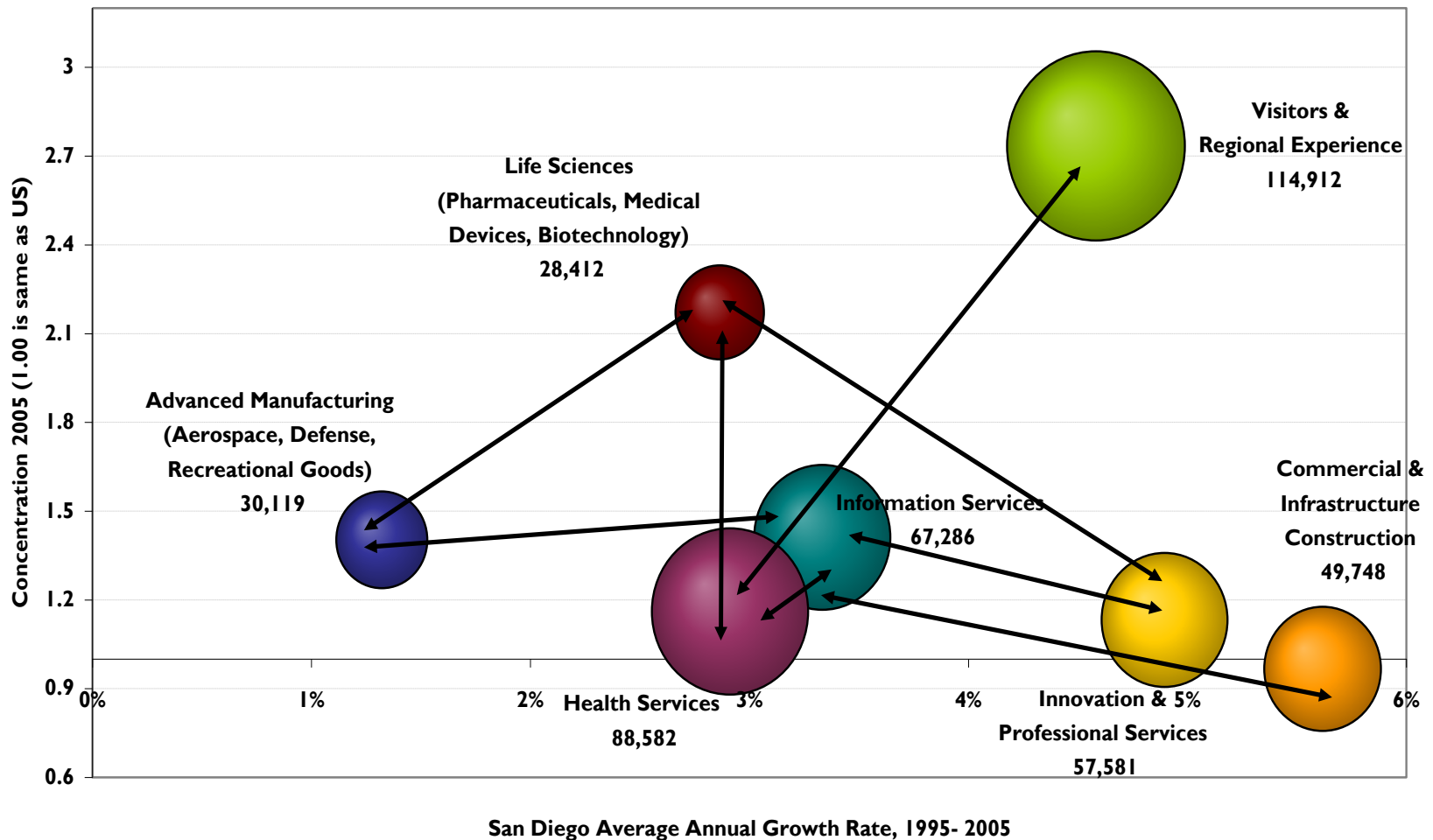
- Council of Community Clinics (CCC) represent 16 member community clinic and health center organizations operating nearly 100 sites in San Diego, Imperial, and Riverside Counties
- Specializes in providing health care services to diverse communities with an emphasis on low-income and uninsured populations
- Serves 550,000 individuals on an annual basis
- Provides over 1.6 million medical encounters a year

The Clinics overall (CCC & Family Health Centers)

- Employ 5,200 people
- \$350,640,317 in revenue
- \$332,602,197 in expenses
- \$219,659,885 paid in wages

Clusters of Opportunity & Potential Convergence

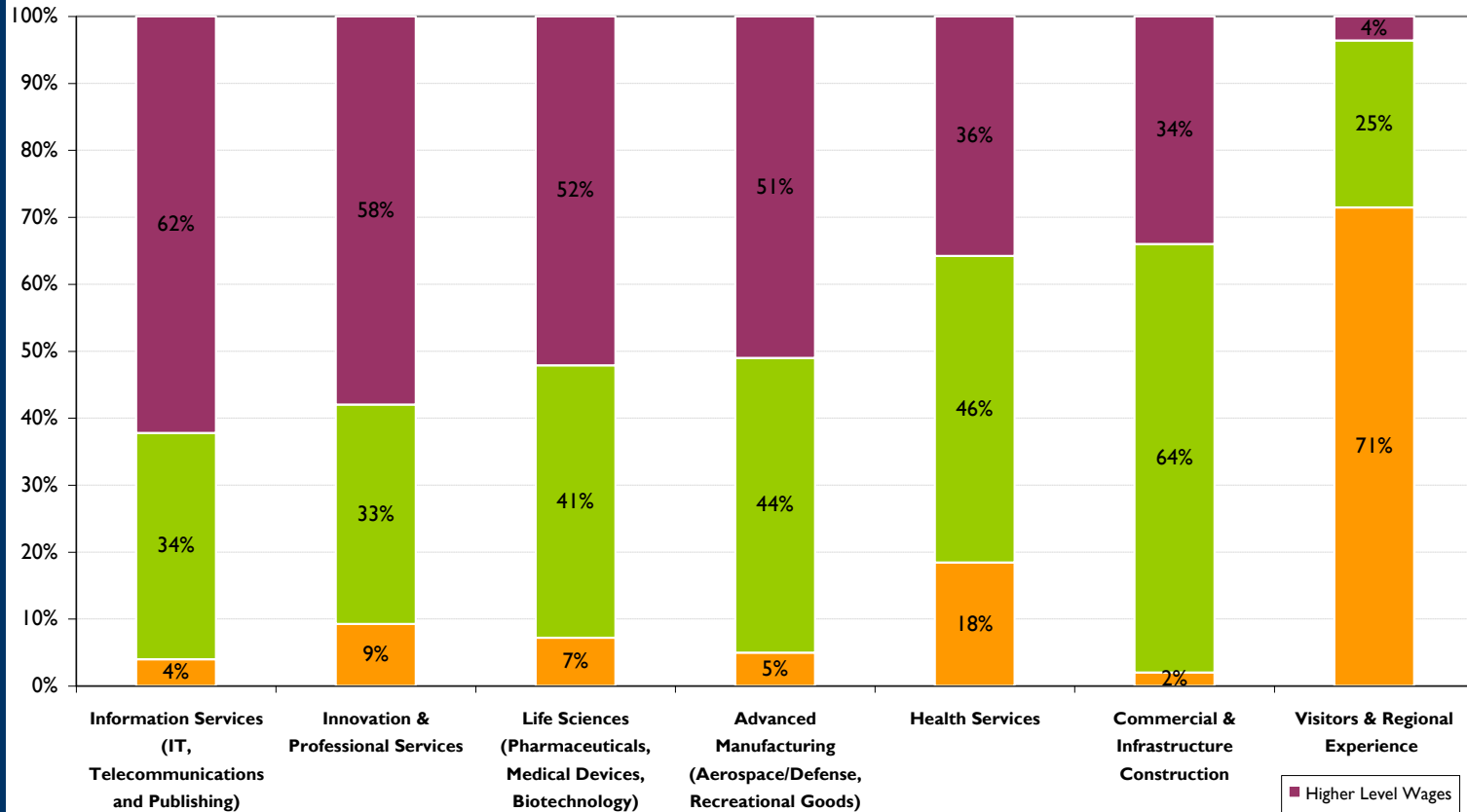
San Diego County
1995-2005



Size of bubble represents employment size in 2005.

Occupational Share by Wage Level

2006



Source: California Employment Development Department, Labor Market Information Division, "San Diego 2006, 1st Quarter Wages"

Challenges facing the Healthcare Community

- Unfunded mandates (seismic retrofiting)
- Under-reimbursement by the county, state and federal governments to physicians, hospitals, and clinics
- Year over year state budget cuts
- Growing demand of insured/uninsured care
- Workforce issues
- Implementation of federal health reform

Challenges facing Physicians

- Hard to recruit doctors to SD
- Under-reimbursed relative to California and rest of US
 - by Government
 - by Health Plans (read Business)
- “Powerless” with respect to health plans and government, but,they can move/quit/dial back
- Supply & demand pendulum
 - Flat or lowering Physician supply
 - Increasing population (age & number) and increasing demand (health care reform)
- Upside down business model

To illustrate the challenges to the health community and the public



Long term strategy: Industry Clusters

Goals:

- ❑ Retain existing companies and their growth
- ❑ **Maintain or expand the region's health safety net**
- ❑ Nurture new companies in highest wage industries
 - Attract companies within targeted technology sectors with capacity to invest in the San Diego market
 - Generate new technologies by merging expertise of existing clusters
 - ❑ CleanTech
 - ❑ Maritime
 - ❑ Security
 - ❑ "Smart" Healthcare

General Policy Recommendations

- Regions matter
- Systemic reform preferable to incentives
- California's problems reflect on San Diego
 - CEQA time frames
 - State budget instability
 - Legal environment

Policy Recommendations

- Permitting restrictions and development fees are imposed by a City seemingly oblivious to the public service role hospitals play
- In recognition of the hospitals' responsibility to provide critical healthcare infrastructure, we recommend that the City:
 - Streamline the permit process for essential health care public services
 - Exempt essential health care public services from development fees and from other off-site transportation improvements
 - Exempt investments in medical equipment from sales tax

Policy Recommendations (cont'd)

- The city should adopt goals, policies and specific code sections that protect and promote existing and future hospital and key medical facilities. The City's general plan, community plans and other codes and ordinances should be tools that protect and promote hospital and other health care facility uses. They should be treasured and protected, much like commercial-industrial land is, and any conflicting use surrounding these properties should either be prohibited, or in the City's goals and policies, it should be noted that they do not have a fair right to protest or oppose hospital or medical facility uses to the maximum extent possible

Policy Recommendations (cont'd)

- Impact or development fees should be waived or minimized for hospital and key medical facility projects. Infrastructure costs place a huge financial burden on hospitals and potentially delay improvement and expansion projects because hospitals, as non-profits, can't and don't raise capital as for-profit corporations can and do for their facilities. If the city wants an adequate health care infrastructure, which is a key “must have” for quality of life and competitiveness, you must work to balance the ‘community’ desire for paying your fair share with the need to foster, promote and expand health care services for our growing and aging population

Policy Recommendations (cont'd)

- Consider utilizing a portion of the Community Development Block Grants (CDBG) funds received annually for use in renovation, expansion and construction of community clinics
- Water conservation mandates or reductions should be waived for a hospital's internal water use, or water conservation rules should be tailored specifically to address hospitals and what they can and more importantly cannot do. It is more than just a “process water” issue for hospitals. It is a health and safety matter, and they should be exempt from internal, indoor conservation requirements. Even retrofitting of toilets is problematic, just as one example, because hospitals must have specific toilets to meet the needs of all potential patients. So, it is not like going to the Home Depot and picking up the latest low-flow model